

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Executive Briefs

FROM:

David Gries
VC/NIC

EXTENSION

NO.

NIC 00880-89

DATE

18 August 1989

STAT

TO: (Officer designation, room number, and building)

DATE

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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

To Deputy Director
from Dave Grier

Dave - I think these briefs
are well done.

Dick -

As of possible interest.
This is what we are
doing these days. Our
customers seem to like
the briefs; in fact they
comment on them more
than on estimates.

Breitbart sells.

18 AUG 1989

THE DIRECTOR OF
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To Deputy Director
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18 AUG 1989

NIC 00881-84

The Director of Central Intelligence
Washington, D.C. 20505

NIC 00880 89

National Intelligence Council

10 August 1989

MEMORANDUM

This memorandum sets forth procedures for preparing Executive Briefs.

WHAT ARE EXECUTIVE BRIEFS?

Briefs are designed to provide policymakers with coordinated, policy-relevant analysis on short notice. They are not a substitute for Estimates. But they are a means of producing estimative intelligence more rapidly and in more abbreviated form than is possible with Estimates. Accordingly, like Estimates, Briefs should avoid lengthy descriptions of current intelligence in favor of predictive, judgmental assertions about future uncertainties.

GENERATING A BRIEF:

Briefs are generated the same way as Estimates: namely, any appropriate senior policy official can request a Brief on a specific subject, or the NIO can originate one if he believes developments in a particular geographic or issue area have created a need for a Brief. In either case, the topic should be approved by Chairman or Vice Chairman, NIC.

PRESENTATION AND PRODUCTION:

Brevity is essential. Three pages is long enough for most Executive Briefs; few should exceed four. Speed is also essential. Most Briefs should be completed in two or three days; few should require longer than a week.

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SUBJECT: Executive Briefs

The NIC Production Officer is the focal point for ensuring that NIC Executive Briefs are produced in a uniform style, to the extent feasible. Attached are samples of recent Executive Briefs in the style we have adopted for use until the NIC gets up to speed with the new workstations and printers and learns to use more sophisticated desktop publishing software and procedures. To keep abreast of possible refinements of the standard style, please check with the Production Officer before starting the process.

In the current format, developed through trial and error and refined in the Analytic Group, Briefs have two sections: the first page and the body, consisting of all succeeding pages. (No cover memorandum is necessary; disseminate with a buck slip.)

- The first page is styled on NIC letterhead with NIC number and date. The words EXECUTIVE BRIEF (underlined) centered and THE TITLE are capitalized, in bold face, and centered. They are followed by four or five short bullets (each of four lines or less) summarizing the key findings. A note at the bottom of the page indicates:
 - Which NIO produced the Brief,
 - How the findings were generated,
 - With whom and how the Brief was coordinated,
 - Who the drafter was.
- The body is printed in two-column pages with headings and key points in bold face. The key points are further highlighted through isolation from the main text. THE TITLE is repeated at the beginning of the body. Bullet (but not sub-bullet) paragraphs may be used.

Currently, most Briefs are produced using Microsoft Word (version 4.0 or 5.0) and printed, via the VM system, on a Xerox 2700 printer, using its Kosmos fonts. Similar though not identical versions can be produced for printing on the new Hewlet Packard laser printers or NIO/SP's IBM laser printer.

COORDINATION:

Coordination may be achieved at a Community meeting or by telephone. The key point is that participating analysts must be satisfied that their viewpoints are fully represented. If consensus cannot be achieved, express dissent clearly in the text. Avoid footnotes. They are more suitable in Estimates than in Briefs. When a draft is substantially altered during the coordination process, participating analysts should be given

SUBJECT: Executive Briefs


an opportunity to comment on the final draft prior to issue. Ultimately, the degree of formal coordination required is subject to the collective judgment of the NIO and his colleagues from participating agencies.

APPROVAL:

Chairman or Vice Chairman must approve the final product before distribution.

DISTRIBUTION:

Each NIO office should develop a distribution list tailored to the Executive Brief. Standard distribution lists for Estimates in most cases are too broad for this purpose. To keep the package small, distribution lists should not be attached to the Briefs; they are (with some exceptions) for NIC office use only. Our target audience for Briefs generally ranges from the Office Director through the Under Secretary level, including comparable officials in the services and the National Security Council.


David D. Gries

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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 00680/89

16 June 1989

EXECUTIVE BRIEF

ETHIOPIA'S PRESIDENT MENGISTU: THE MORNING AFTER

- o For the moment, having cowed his opponents and purged the officer corps, Mengistu is secure in power following last month's coup attempt.
- o But his military has been seriously weakened, and setbacks at the hands of northern rebels coupled with economic woes and popular discontent may well prove his undoing in the longer run.
- o The Eritrean rebels are unlikely to relieve the pressure on him by accepting his offer to talk; even if they do, peace prospects are dim.
- o The Soviets will continue to provide military aid while urging him to negotiate a settlement in Eritrea and improve relations with the West, especially the US, whose participation Moscow seeks in a peace effort.
- o Mengistu will make a show of complying without, however, compromising his ambitions for military victory in the north.

This Executive Brief was produced by the National Intelligence Officer for Africa. It reflects the judgments of Intelligence Community analysts presented at a meeting on 9 June 1989.

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ETHIOPIA'S PRESIDENT MENGISTU: THE MORNING AFTER

Mengistu's Survivability

For the time being, Mengistu seems stronger politically than before last month's aborted putsch by senior military officers. His East German trained security forces and the Presidential Guard proved their effectiveness -- the coup leaders are all dead, under detention, or in hiding -- and he quickly made wholesale changes in the officer corps, replacing professionals with loyalists.

Nonetheless, Mengistu's respite will be short. The problems that plague Ethiopia are worsening rapidly:

- Militarily, the regime is now much more vulnerable to initiatives by the rebels in Eritrea and Tigre. Atop the turmoil and demoralization within the armed forces caused by the coup attempt, Mengistu has imposed new senior officers who are politically reliable but have little or no qualification for conducting military operations.
- Economically, immediate pressures stem from an acute shortage of foreign exchange. More fundamentally, the economy has been drained by Mengistu's war effort and contorted by his statist policies. Exports, productivity, and per capita income are declining, and the regime can squeeze few more resources from the population.
- Psychologically, war-weariness combined with fear has left the general populace even more cynical than before. When it

appeared the coup might succeed, many Ethiopians welcomed it. Since then, in contrast to customary passivity in most segments of the population, student demonstrators have openly defied and ridiculed Mengistu.

Any would-be challenger will no doubt draw lessons from the aborted coup: to succeed in overthrowing him, Mengistu would have to be killed, his security forces neutralized, and Ethiopian nationalism taken squarely into account.

Last month's plotters mistakenly assumed that, once they struck an arrangement with the Eritrean rebels, they would receive wider support within the military. But most military officers are as nationalistic as Mengistu and would be reluctant to make fundamental concessions to the rebels.

Prospects for War and Peace

The Ethiopian military establishment is in disarray. Up to 500 officers are in detention, some have been executed, and defections among those not under arrest will likely increase. The air force is resentful, justifiably mistrusted by Mengistu, and largely out of action. While we expect Mengistu to refrain from large scale retribution, the damage to morale from political interference may further devastate military capabilities.

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The countrywide campaign to dragoon teenagers into service persists despite past debacles from ill-trained recruits who cut and ran. Last month's attempt against Mengistu was motivated in part by disgust with this practice.

Seasonal rains have begun, further favoring the guerillas. We expect the two main groups -- the Eritrean People's Liberation Front (EPLF) and the smaller Tigrean People's Liberation Front (TPLF)-- to resume the coordinated operations that have had telling effect in recent months. They will probe for weaknesses rather than launch frontal attacks that might coalesce government forces. Lines of communication linking Eritrea to the south are likely targets.

EPLF leaders no doubt calculate that time is on their side and that they have no interest in lifting pressures on Mengistu by accepting his recent "unconditional" offer to negotiate a settlement.

Even should talks get underway, they would have little chance of success because neither side is willing to compromise on the ultimate status of Eritrea -- the EPLF wants independence, while Mengistu will offer only limited autonomy at best.

The EPLF might consider a formula for loose confederation, but probably not while Mengistu is still in charge. For his part, the seriousness with which Mengistu made his recent offer is not yet clear. Tactical imperatives favored pleasing foreign audiences -- particularly the Soviets -- and buying time. An indicator of deeper motivation would be abandonment of the regime's "lowlands" initiative, a year-long

effort to divide Eritreans under the guise of selective "autonomy." The TPLF has sought to upstage Mengistu by agreeing to talk, but he is unlikely to accept its preconditions.

Moscow's Burdensome Client

To Mengistu's displeasure, the Soviets stood on the sidelines during the coup attempt. They seem to have been prepared to let him fall and deal with a successor. But they are unlikely to deliberately undermine him. We expect Moscow to honor the current military assistance agreement until it expires in 1991, after which arms aid will be pared down as part of the worldwide Soviet cost-cutting effort. On the other hand, the 2,000 or so Cuban troops in Ethiopia may well begin departing much sooner, perhaps in the coming months -- their basic mission, deterring Somali aggression, being no longer relevant.

The Soviets are in a quandry in dealing with Mengistu. On one hand, they have lost patience with his quest for a military solution to the Eritrean rebellion and his mismanagement of the economy. On the other, they seem unwilling to exercise leverage over him by constricting the flow of vital military aid. They will carefully watch his pursuit of the latest offer to negotiate. Anxious to reduce burdens without the appearance of abandoning their client, they will also seek opportunities to enlist US participation in "cooperative" or "parallel" efforts to find a settlement.

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Relations with the US

Mengistu wants to improve relations with the US despite suspicions -- fanned by Soviet disinformation -- that Washington had a hand in last month's events. Western economic assistance is essential for salvaging his economy, and he fears sanctions proposed in Congress that would pinch Ethiopian coffee exports -- the main foreign exchange earner. He also (mistakenly) believes that the US enjoys influence over the Eritreans and their Arab backers. To woo Washington and general Western goodwill, he will avoid provocative steps such as the "red terror" of 1977, the vengeful response to an earlier challenge to his rule.

But Mengistu will stubbornly resist compromising on matters of most importance to the West. The far-reaching reforms necessary for reversing Ethiopia's downward economic slide would undermine his political control mechanisms and violate his collectivist vision. Moreover, the immediate pressure to negotiate a northern settlement has been alleviated now that he has announced his offer. He can turn his attention to preparing for rebel initiatives on the battlefield, rebuilding the military, and pursuing -- illusory -- victory.

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 00826/89
1 August 1989

EXECUTIVE BRIEF

IMPLICATIONS OF THE UNREST IN THE USSR

- o Some Intelligence Community analysts believe that the ethnic and labor unrest in the Soviet Union could escalate beyond the regime's control over the next six months. Most judge, however, that the regime probably will be able to cope with the unrest, at least over the short term.
- o Clearly, the party faces a crisis. It is deeply divided over what to do, with Gorbachev arguing that it must identify with societal pressures for change while his critics call for retrenchment.
- o Gorbachev is still in a strong political position. Most analysts believe he intends to use the unrest to force a showdown in the party. That could lead to a further radicalization of political reform and the ouster of one or more leading conservatives from the Politburo.
- o Whether Gorbachev can reform the party -- so that it continues to play a leading role while relinquishing a significant amount of decisionmaking authority -- is uncertain. Even if he further strengthens his grip on the party, no lasting solutions to the society's grievances are yet in sight:
 - The concessions to the miners probably will embolden other workers to make similar demands, heightening inflation and perhaps even threatening regime control.
 - The Soviet standard of living will worsen before it improves.
 - The ethnic violence may be containable, but continuing turmoil is certain regardless of the policies the regime decides to pursue.

This Executive Brief reflects the view of the Intelligence Community expressed at a special warning meeting held on 25 July 1989. It was drafted by the National Intelligence Officer for the USSR and informally coordinated within the Community.

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IMPLICATIONS OF THE UNREST IN THE USSR

The Soviet system is facing its severest challenge since Stalin's death. The recent escalation of interethnic violence and the most serious labor unrest in Soviet history reflect both the Soviet population's increasing frustration over the meager results perestroika has produced thus far and its decreasing fear of voicing its complaints.

A System in Crisis

Intelligence Community analysts see the current situation as highly fluid with major uncertainties that make predictions about events and the ability of the regime to cope very tentative. Some analysts believe the current unrest has the potential to escalate beyond the regime's control over the next six months. They argue that Gorbachev has unleashed the whirlwind and that his knack for driving the society's agenda is beginning to fail him.

Most analysts, however, see the regime as able to cope with--but not resolve--what Gorbachev himself has labeled a "crisis."

- o As long as ethnic violence is not directed against Russians, the regime can probably contain the brushfires. The MVD troops, while stretched thin, have improved in controlling riots.
- o The leadership showed skill and nerve in ending the coal strikes, even though its concessions could spark further walkouts and eventually strain an already strapped state budget.

Seizing the Moment

Some analysts, while acknowledging Gorbachev's political strength, think he will have to retrench in order to stem the decline in the party's status and remind the Soviet people that there are limits to challenging authority. Most analysts, however, believe that he will do just the opposite:

- o His emphatic declaration at the Central Committee meeting held on 18 July that those in the party who believe that it is still possible to resolve the USSR's and the party's problems using the old "authoritarian methods" are "making the greatest and deepest error" indicates that he sees the current crisis as reason to push ahead all the more quickly with political reforms.
- o His praise of the strikers and willingness to allow local and regional state elections this fall rather than next spring indicate he is trying to identify the party with forces in society pushing for reform and use them against conservatives in the party.

Indeed, most Community analysts anticipate that Gorbachev intends to exploit this crisis to force a showdown in the party leadership during the next six months. This was suggested in his call at the Central Committee meeting for new blood in the party at every level, including the Politburo. The outcome of such a showdown is by no means certain, but the odds favor Gorbachev.

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He may have to settle for ousting some of the lesser lights among the conservatives, but Gorbachev's main targets will be orthodox leaders like Ligachev and Chebrikov and the old nomenklatura they represent. While they have not coalesced into a united opposition, they all believe, to varying degrees, that Gorbachev is going too far, too fast for the party's good.

Daunting Tasks

Even if Gorbachev succeeds in strengthening his control over the Politburo, the task of rejuvenating the party is daunting. He is forcing the party to get out of the day-to-day administration of the government and the economy, though the new management system is not yet in place. The party apparat is becoming increasingly demoralized, and there is confusion in the party ranks along with resentment that the new Supreme Soviet has gained authority by filling the vacuum created by the party's disarray.

The reforms are undermining the party's traditional *raison d'être*.

Gorbachev is making a bold wager that, while he is trying to make the Soviet system modern and efficient by spurring Soviet citizens to innovation and productivity, the party will be able to maintain its leading role and the nation its cohesiveness. He is weathering the unrest his own policies have helped spawn but largely by deferring the resolution of many problems.

The concessions to the coal miners are likely to embolden other workers to strike for similar concessions, even if not on such a large scale. The impact of the economic concessions on the Soviet economy is not yet clear,

but they probably will add to inflation -- though they may prove beneficial in the long run if they prompt local authorities and workers to show greater economic accountability and initiative, thus accelerating aspects of Gorbachev's economic reform program.

Even before the current round of unrest, the leadership had put off many hard decisions on economic reform.

The long-promised plenum on nationalities was delayed once again until September at the earliest. Judging by his 1 July address to the nation on the question, Gorbachev will not brook the use of violence to press nationalist demands but is prepared to grant ethnic groups wide latitude in legal steps toward autonomy.

He has no blueprint, however, for a solution to the nationality problems. Moreover, he must cope with growing resistance from Russians.

Even though they have yet to become targets of interethnic violence, many Russians living in non-Russian republics are beginning to complain louder about discrimination. This could create a new and more volatile dimension to the ethnic problem.

Thus, his course remains a high wire act. There are no easy solutions to any of these problems. Gorbachev will do well just to prevent them from bringing him and perestroika down. He has displayed impressive political skills up until now, but the force with which the Soviet system's weaknesses and contradictions have been boiling over indicates that even these skills will not by themselves be enough to provide lasting remedies.

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The Director of Central Intelligence
Washington D.C. 20505

National Intelligence Council

NIC 00861/89
15 August 1989

EXECUTIVE BRIEF

HAS CHINA'S ECONOMIC OUTLOOK CHANGED?

- o Economic disruptions resulting directly from the student protests have largely dissipated.
- o Nevertheless, the effects of the crisis are likely to exacerbate severe economic problems that predated the turbulence.
- o Over the longer term, the continuing political uncertainty will hurt both the domestic economy, the main source of economic growth, and foreign investment, a key source of modernization despite its small share of China's gross national product.
- o Economic reforms instituted before the crisis will continue to pay dividends, but prospects for further reforms -- hence for enhanced economic growth -- are dim.

This Executive Brief was produced by the Acting National Intelligence Officer for Economics, based on a meeting in July 1989 with China specialists in the Intelligence Community. It was informally coordinated in the Intelligence Community.

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HAS CHINA'S ECONOMIC OUTLOOK CHANGED?

Although the immediate economic disruptions resulting from the student-led protests have largely dissipated, China's long-term economic outlook has substantially worsened as a result of continuing political turmoil and economic problems that arose well before the disturbances. We judge that continuing social instability and political uncertainty over the next five years will cause China's economic growth rate to decline from a previous expectation of 7 to 8 percent to about 5 or 6 percent.¹

Short-term dislocations fading

The government is trying hard to project an image of business as usual. There have been some positive developments, in fact. The transportation and banking systems are back to normal after the disruptions of late May and early June. Most foreign firms with operations in China are resuming them; those that do not return are likely to be replaced by others.

The Bank of China, which had ample reserves before the crisis, remains liquid though it is tightening access to foreign exchange; reserves probably dropped from \$18.2 billion in April to \$14-15 billion at the end of July. Western economic sanctions have not had a significant effect on China's foreign exchange picture, although they have delayed a number of communications, transportation, and energy projects.

1. A 2-percentage-point lower growth rate over 10 years would result in 21 percent less GNP in the 10th year.

The flow of new aid has stalled, but ongoing projects are unlikely to be cut off.

The tourist industry, however, remains seriously hurt, with hotel bookings initially down by as much as 90 percent. During the year following the upheaval, tourism is unlikely to bring in much more than half of the \$2.2 billion in foreign exchange it earned in 1988.

But economic troubles will persist

Some of the toughest economic problems facing China in the short term are inflation, agricultural production shortfalls, unemployment, and a growing budget deficit, all of which predate the Tiananmen riots. Some of these problems may be exacerbated by the aftereffects of the political crisis:

- o A simmering malaise among workers may lead to slowdowns or other job actions.
- o Inflation-induced subsidies to workers and enterprises will grow, adding to the budget crunch.
- o Unwillingness to accept local government IOUs for their crops may prompt peasants to refuse to sell produce to the state -- or stimulate violence if they are forced to sell to the state.
- o Retrenchment policies aimed at cutting back the unrestrained growth of rural industries may increase unemployment.

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Long-term growth threatened

The prospect of political instability will slow China's economic growth for at least the next few years -- particularly while the succession to Deng Xiaoping remains in question. During an extended period of political turmoil, the influence of reformers would decline, hindering China's adoption of more market reforms and even its ability to address basic economic problems such as inflation. While nominally committed to continued openness and economic reform, the hard-liners in ascendancy are unlikely to enact the fundamental reforms -- particularly the installation of a fully functional market-based price system -- necessary even to sustain, much less advance, China's economic progress.

Uncertain policy direction at the top is putting pressure on politically vulnerable reformers at lower levels. Successful entrepreneurs, efficient managers, and independent rural industrialists who have offended local party cadre face possible attack in an increasingly intimidating climate. Many Chinese students now abroad may never return, depriving China of their urgently needed technical and managerial skills. Worst of all for China's economy, if strong opponents of reform continue to gain influence, even some of the reforms that have taken hold may be rolled back for ideological reasons.

The political situation is already impeding the growth of China's domestic market, which has been the engine of its recent economic expansion. Continued reform is the crucial element in maintaining that progress. However, the critical

agricultural sector, once the showcase for China's economic reforms, has suffered during the past four years as leaders have focused their attention on urban problems. Grain production is not likely to increase very much over the long term without a substantial increase in the price farmers are paid for their grain. With price reform on hold, moreover, shortages of energy and industrial raw materials will persist, and Beijing will be unable to increase enterprise efficiency by enforcing the bankruptcy law adopted last year.

The recent announcement that China's 14.5 million private businesses would be inspected for tax evasion raised concerns that the government is again becoming hostile toward private enterprise.

The political uncertainty is also impinging on the foreign sector. Foreign investment, though a small portion of total investment, is China's main channel to technical progress and increased foreign trade. For example, foreign firms provide valuable high-level technical and business training to Chinese managers. Though current investors reportedly believe they must remain in China to protect their investments, potential investors have a choice. Relevant to their decision about whether to put money into business operations in China are such considerations as the stability of the regime and the business climate and the prospects for more economic reform, all of which are now in greater doubt than before the student demonstrations.

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Some favorable aspects

China's economic picture is not altogether bleak:

- o The reforms instituted during the past decade are still helping the economy.
- o China's government managed to overcome the recent disruptions with its authority intact.
- o Foreign investors do not fear nationalization.
- o China's prospective 5-percent annual growth rate, though diminished, is still faster than that of most other nations and therefore still offers tempting opportunities to the foreign investors permitted access to the country's domestic market.

Nevertheless, China may have fallen from the ranks of the prospective "economic miracles" -- if indeed it ever belonged there.